



CHARTER COUNTY OF WAYNE, MICHIGAN

Single Audit Report

September 30, 2003

CHARTER COUNTY OF WAYNE, MICHIGAN

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KPMG LLP
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**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

The County Executive and County Commissioners
Charter County of Wayne, Michigan:

Compliance

We have audited the compliance of the Charter County of Wayne, Michigan (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in items 03-05, 03-06, 03-07, 03-08, 03-09, 03-10, 03-11, 03-12, 03-13, 03-14, 03-15, 03-16, 03-17, 03-18, 03-19, 03-20, 03-22, 03-26, 03-27, 03-28, 03-30, 03-32, 03-33, 03-36, and 03-37 in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding activities allowed or unallowed; allowable costs/cost principles that are applicable to Community Development Block Grant, Home Investment Partnership, Rouge National Wet Weather Demonstration Project, Medicaid Cluster, Byrne Formula Grant, and Title IV-D; cash management for Home Investment Partnership and Byrne Formula Grant; Davis-Bacon for the Community Development Block Grant; procurement, suspension, and debarment for Community Development Block Grant, Home Investment Partnership, Medicaid Cluster, and Community Mental Health Services Block Grant; program income for Community Development Block Grant; reporting for Community Mental Health Services Block Grant, Byrne Formula Grant, and Title IV-D; subrecipient monitoring for Community Development Block Grant, Home Investment Partnership, Rouge National Wet Weather Demonstration Project, Medicaid Cluster, and



Community Mental Health Services Block Grant. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to these programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the Charter County of Wayne, Michigan did not comply, in all material respects, with the requirements referred to above that are applicable to the Community Development Block Grant, and Community Mental Health Services Block Grant. Also, in our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to the Home Investment Partnership, Byrne Formula Grant, Rouge National Wet Weather Demonstration Project, Medicaid Cluster, and the Title IV-D program. Also, in our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to the VFC Vaccines program and the Highway Planning & Construction for the year ended September 30, 2003. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 03-29, 03-34, and 03-35.

Internal Control Over Compliance

The management of the Charter County of Wayne is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as 03-05, 03-06, 03-07, 03-08, 03-09, 03-10, 03-11, 03-12, 03-13, 03-14, 03-15, 03-16, 03-17, 03-18, 03-19, 03-20, 03-21, 03-22, 03-23, 03-24, 03-25, 03-26, 03-27, 03-28, 03-30, 03-31, 03-32, 03-33, 03-36, 03-37, and 03-38.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 03-07, 03-08, 03-14, 03-15, 03-16, 03-17, 03-18, 03-19, 03-20, 03-21, 03-22, 03-24, 03-25, 03-26, 03-27, 03-28, 03-30, 03-32, 03-33, and 03-38 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended September 30, 2003, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 15, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise



the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the County's basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the County's basic financial statements taken as a whole. We did not audit the financial statements of the Detroit-Wayne County Stadium Authority, which represent 21.8% and 5.9%, respectively, of the assets and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the Pension Trust funds, which represent 81.0% and 50.0%, respectively, of the assets and revenues/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Detroit-Wayne County Stadium Authority and the Pension Trust funds, is based on the reports of the other auditors.

This report is intended solely for the information and use of the County Executive, Commission members, County management, and others within the County, and officials of the State of Michigan and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

April 26, 2006 (except for the schedule of expenditures
of federal awards, paragraph number 8, as to which the
date is July 15, 2005)

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Expenditures of Federal Awards

Year ended September 30, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA number	Expenditures
U.S. Department of Agriculture:		
Direct Program – Summer Food Program for Children	10.558	\$ 116,017
Passed through State Department of Education:		
National School Breakfast (note 2)	10.553	85,029
National School Lunch (note 2)	10.555	131,240
National School Snack	10.555	34,199
Nutrition Services/Food Distribution	10.568	82,523
Passed through Senior Alliance (Area Agency on Aging Nutrition Services)	10.550	1,354,928
Passed through State Department of Public Health:		
Special Supplemental Food	10.557	1,249,153
Total U.S. Department of Agriculture		3,053,089
U.S. Department of Commerce:		
Passed through Michigan Department of Environmental Quality:		
Coastal Zone Management	11.419	498,657
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grant	14.218	4,743,551
Emergency Shelter Grant (McKinney Act for the Homeless)	14.231	220,834
Supportive Housing Program	14.235	1,166,657
Shelter Plus Care	14.238	514,770
Home Investment Partnership	14.239	1,118,646
EDI Special Project Grant	14.246	14,014
Supplemental Assistance to Assist the Homeless	14.510	176,692
Passed through the City of Taylor:		
Community Development Block Grant	14.218	5,000
Passed through the City of Hamtramck:		
Community Development Block Grant	14.228	106,032
Total U.S. Department of Housing and Urban Development		8,066,196

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Expenditures of Federal Awards

Year ended September 30, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA number	Expenditures
U.S. Department of Justice:		
Direct programs:		
After-School Programs	16.541	\$ 85,010
Truancy and Intervention Program	16.548	806,835
Community Prosecution and Project Safe Neighborhoods:		
Community Gun Violence Prosecution Program	16.609	160,000
Community Prosecution Planning Grant Program	16.609	72,327
High Intensity Drug Trafficking Areas	16.xxx	73,263
Passed through Michigan Department of State Police:		
Domestic Preparedness Equipment Grant	16.007	159,059
Passed through Michigan Family Independence Agency:		
Juvenile Accountability Incentive Block Grant	16.523	314,514
Juvenile Justice Block Grant	16.540	103,752
Passed through Michigan Department of Community Health:		
Community Correction Information Systems	16.580	844,084
Byrne Formula Grant – School Resource Strategies	16.579	393,875
Byrne Formula Grant – Third Circuit Court	16.579	441,485
Passed through State Office of Drug Control Policy:		
Byrne Formula Grant – Drug Enforcement Task	16.579	91,996
Byrne Formula Grant – Blitz & Broom	16.579	517,664
Byrne Formula Grant – Out County Domestic Violence Project	16.579	47,066
Byrne Formula Grant – Juvenile Zero Tolerance	16.579	208,716
Byrne Formula Grant – Wayne Area Justice Information System	16.579	353,889
Passed through Bureau of Justice Assistance:		
BJA Discretionary Grant	16.580	268,089
Passed through the City of Detroit:		
Byrne Formula Grant – Second Response Team/After Care Program	16.579	70,871
Byrne Formula Grant – Child Abuse Intervention Team	16.579	66,080
Passed through State Department of Management and Budget:		
Victims of Crime Act – Child	16.575	137,886
Victims of Crime Act – Family Abuse (Crime Victim Assistance)	16.575	320,424
Victims of Crime Act	16.575	188,254
Victims of Crime Act – Community/Gang Violence Victim Services	16.575	58,265
Total U.S. Department of Justice		5,783,404
U.S. Department of Labor:		
Passed through the City of Detroit:		
Reed Work First	17.253	236,239

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Expenditures of Federal Awards

Year ended September 30, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA number	Expenditures
U.S. Department of Transportation:		
Passed through Michigan Department of Transportation:		
Highway Planning & Construction	20.205	\$ 780,386
Passed through Michigan Department of State Police:		
Safety Belt Enforcement Task Force	20.600	88,043
Total U.S. Department of Transportation		868,429
U.S. Environmental Protection Agency:		
Direct programs:		
Good Neighbors United Initiative	66.001	9,830
Rouge National Wet Weather Demonstration Project	66.606	9,046,197
Wetlands Mitigation	66.606	9,684
Brownfield Pilots Cooperative Agreements	66.811	29,094
Passed through Michigan Department of Environmental Quality:		
State Indoor Radon Grants	66.032	1,700
Total U.S. Environmental Protection Agency		9,096,505
U.S. Department of Energy:		
Passed through Michigan Family Independence Agency:		
Weatherization Assistance for Low-Income Persons	81.042	352,370
Federal Emergency Management Agency:		
Passed through Michigan Department of State Police:		
Emergency Assistance Funds	83.552	54,874
Hazard Mitigation	83.548	248,322
Total Federal Emergency Management Agency		303,196
U.S. Department of Education:		
Passed through Wayne County Regional Educational Service		
Part C/Early On	84.181	120,000
Passed through University of Detroit Mercy:		
Federal Work Study – Prosecutor’s Internship Program	84.033	5,280
Total U.S. Department of Education		125,280

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Expenditures of Federal Awards

Year ended September 30, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA number	Expenditures
U.S. Department of Health & Human Services:		
Direct programs:		
Head Start	93.600	\$ 21,592,953
Multisystemic Therapy for Adolescent Girls	93.230	18,033
Passed through Area Agency on Aging:		
Senior Community Service Program	93.044	10,000
Nutrition Services	93.045	1,494,706
Passed through Michigan Department of Public Health:		
TB Control	93.116	50,448
Immunization Grants – Infant Immunization Initiative	93.268	574,468
Immunization Grants – VFC Vaccines	93.268	3,059,879
Medical Assistance Program:		
Maternal Infant Health Advocacy Services	93.778	78,797
Medicaid Outreach & Advocacy	93.778	92,749
Maternal and Child Health Services Block Grant	93.778	99,750
AIDS Counseling & Testing	93.940	229,722
Venereal Disease	93.977	23,400
Maternal and Child Health Services Block Grant to the States:		
Crippled Children	93.994	218,337
Oral Health Grant (CPBC Special Project)	93.994	22,900
Maternal and Infant Care	93.994	563,358
Child Lead Poisoning	93.994	88,133
MIC – Maternal Support	93.994	243,525
Passed through Michigan Family Independence Agency:		
Child Visitation Services	93.556	191,310
Temporary Assistance for Needy Families –		
Teen Pregnancy Prevention	93.558	24,000
LIHEAP	93.568	289,430
Title IV-D	93.563	19,869,745
Title IV-E Foster Care	93.658	273,254
Passed through Michigan Jobs Commission:		
Temporary Assistance for Needy Families – Work First Program	93.558	275,390
Passed through Michigan Department of Mental Health:		
PATH Homeless Project	93.150	173,225
Medical Assistance Program – OBRA	93.778	1,552,647
Community Mental Health Services Block Grant	93.958	6,274,480
Passed through Michigan Department of Community Health:		
Child Mental Health Initiative	93.104	728,534

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Expenditures of Federal Awards

Year ended September 30, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA number	Expenditures
Centers for Disease Control and Prevention – Investigations and Technical Assistance:		
Public Health Threats/Emergencies (Bioterrorism)	93.283	\$ 117,422
West Nile Virus	93.283	17,736
Smallpox	93.283	69,025
Child Care Consultation Project	93.575	180,000
Passed through City of Detroit:		
Target Cities	93.196	415,388
Passed through the Substance Abuse and Mental Health Services Administration (SAMHSA):		
Treatment Foster Care Capacity for Youth	93.230	<u>173,508</u>
Total U.S. Department of Health & Human Services		<u>59,086,252</u>
U.S. Department of Homeland Security:		
Passed through the Michigan State Police:		
FEMA 3189-EM-163-99163	97.036	<u>204,707</u>
Total Federal Awards		<u>\$ 87,674,324</u>

See accompanying independent auditors' report and notes to schedule of expenditures of federal awards.

CHARTER COUNTY OF WAYNE, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards and Supplemental Schedules

Year ended September 30, 2003

(1) Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter County of Wayne, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

(2) Food Distribution Program

The Wayne County Youth Home receives funding for administration of commodities under the National School Lunch Program. Reimbursements for administration of the program are reported on the schedule of expenditures of federal awards (CFDA Nos. 10.553 and 10.555). The value of the commodities received during the fiscal year was \$74,055. The County's Emergency Food Assistance Program (TEFAP) also receives funding for administration of commodities. The program is reported on the schedule of expenditures of federal awards (CFDA No. 10.568). The value of commodities received during the fiscal year was \$576,487.

(3) Highway Planning and Construction Program

The County participates in 33 separate road, street, and bridge construction and repair projects, which are primarily administered by the State of Michigan Department of Transportation. The projects, which are controlled by the State, are recorded in the County's general ledger and amounted to \$6,737,673. The federal financial assistance administered directly by the State has not been included in the tests of compliance with laws and regulations associated with the County's Single Audit.

(4) Subrecipients

Of the federal expenditures presented in the schedule of expenditures of federal awards, the Charter County of Wayne, Michigan provided federal awards to various subrecipients as follows:

Program	Federal CFDA number	Amount provided
OBRA	93.778	\$ 1,187,582
Community Mental Health Block Grant	93.958	6,066,071
Head Start Program	93.600	17,058,884
Rouge National Wet Weather Demo Project	66.606	2,936,210
Community Development Block Grant	14.218	4,045,297
Title IV-E Foster Care	93.658	9,946,323
Home Investment Program	14.239	416,553



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**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

The County Executive and County Commissioners
Charter County of Wayne, Michigan:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter County of Wayne, Michigan (the County) as of and for the year ended September 30, 2003, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 15, 2005. We did not audit the financial statements of the Detroit-Wayne County Stadium Authority, which represent 21.8% and 5.9%, respectively, of the assets and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the Pension Trust funds, which represent 81.0% and 50.0%, respectively, of the assets and revenues/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Detroit-Wayne County Stadium Authority and the Pension Trust funds, is based on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-01, 03-02, 03-03, and 03-04.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not



necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 03-01, 03-02, and 03-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of the County in a separate letter dated July 15, 2005.

This report is intended solely for the information and use of the audit committee, management, the State of Michigan, and federal awarding and pass-through agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

Detroit, Michigan
July 15, 2005

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended September 30, 2003

Section I – Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **Unqualified**
- (b) Reportable conditions in internal control were disclosed by the audit of financial statements: **Yes**
- (c) Material weaknesses: **Yes**
- (c) Noncompliance that is material to the financial statements: **No**
- (d) Reportable conditions in internal control over major programs: **Yes**
Material weaknesses: **Yes**
- (e) The type of report issued on compliance for major programs: (each major program listed separately in the table below)

Unqualified	Qualified	Adverse
VFC Vaccines (CFDA #93.268)	Home Investment Partnership (CFDA #14.239)	Community Development Block Grant (CFDA #14.218)
Highway Planning and Construction Cluster (CFDA #20.205)	Rouge National Wet Weather Demonstration Project (CFDA #66.606)	Community Mental Health Services Block Grant (CFDA #93.958)
	Medicaid Cluster (CFDA #93.778)	
	Byrne Formula Grant (CFDA #16.579)	
	Title IV-D (CFDA #93.563)	

- (f) Any audit findings that are required to be reported under Section 501(a) of OMB Circular A-133: **Yes**
- (g) Major programs: Rouge National Wet Weather Demonstration Project (CFDA #66.606), VFC Vaccines (CFDA #93.268), Title IV-D (CFDA #93.563), Community Mental Health Services Block Grant (CFDA #93.958), Community Development Block Grant (CFDA #14.218), Home Investment Partnership (CFDA #14.239), Byrne Formula Grant (CFDA #16.579), Highway Planning and Construction Cluster (CFDA #20.205), Medicaid Cluster (CFDA #93.778)
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,630,230**
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **No**

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended September 30, 2003

Section II – Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

Finding 03-01 *Intentional Misstatement*

Condition: County personnel directed approval of contract modifications that constituted an intentional effort to misstate the financial statements.

Criteria: Governmental fund financial statements should be recorded on the modified accrual basis of accounting, and internal controls should not be overridden to process transactions that achieve desired results.

Effect: Financial statements could be materially misstated.

Cause: County personnel participated in the contract modifications process that resulted in the intentional misstatement to create an apparent balanced budget in a specific County fund. There was a systemic failure to disclose or identify the true nature of the contract modifications. A culture of nonsubstantive review, failure of the system to proscribe the responsibilities of reviewers, and the absence of a mechanism for accounting review of significant or unusual transactions allowed County personnel to override existing procedures.

Recommendation: The County should develop a comprehensive corrective action plan to address this matter.

Questioned Costs: None

*View of
Responsible
Officials:*

The Wayne County Commission has approved a remediation plan prepared by the Office of the Chief Financial Officer in May 2005. The remediation plan reviews the status of corrective actions, both completed and planned, addressing this material weakness. The plan also identifies the resources required to implement the changes.

Finding 03-02 *Financial Reporting*

Condition: The process used by management to prepare the annual financial statements is manual in nature and labor intensive. The process requires a significant number of manual analyses and adjustments.

Criteria: The overall preparation of financial statements and related footnote disclosures and other additional information should include a process that ensures that accounting information is accumulated, processed, summarized, and presented fairly in a complete set of financial statements on a timely basis.

Effect: Excessively manual processes require a considerable number of qualified accountants. Additionally, the manual nature of the process could cause unreasonable delays in the preparation of accurate financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended September 30, 2003

Cause: The high employee turnover rate in positions key to the financial reporting process has hindered efforts to continuously enhance the process and increase the amount of automation.

Recommendation: The County should make a focused effort to improve the internal controls over financial reporting and thereby improve the timeliness and accuracy of the financial statement preparation process.

Questioned Costs: None

*View of
Responsible
Officials:*

As noted in prior years, the financial reporting process of the accounting system as implemented has several limitations. The Department of Management and Budget (M&B) will hire an outside firm to assist the County in the selection of a CAFR reporting system. The selection of this product is expected to occur by December 2005. In the meanwhile, the efforts of the Accounting Division have partially compensated for, but did not fully correct, certain aspects of the material weakness in the County's financial reporting process in fiscal 2004. However, enhanced monthly and quarterly account reconciliation and review procedures have been defined as corrective actions both completed and planned to address this finding. These regular account reconciliations will minimize year-end adjustments.

Finding 03-03 *Mental Health Service Provider Financial Settlements*

Condition: The County has not performed settlement audits of mental health service providers on a timely basis.

Criteria: In order to be able to record the appropriate amount of accounts receivable and/or accounts payable between the County and each mental health service provider, a settlement audit should be performed and a final settlement agreement reached on a timely enough basis to record the settlement amount in the financial statements for the year being settled.

Effect: Failure to complete the audits and reach final settlement agreements on a timely basis could result in an unreasonable amount of estimates being recorded in the financial statements and could potentially reduce the ultimate collectibility of accounts receivable.

Cause: The high employee turnover rate in positions key to the financial reporting process, along with outdated processes and disparate financial systems, have all contributed to the delays in conducting the settlement audits.

Recommendation: The County should consider conducting quarterly settlement audits throughout the fiscal year and reach final agreements with providers within 90 days of each fiscal year-end date.

Questioned Costs: None

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended September 30, 2003

*View of
Responsible
Officials:*

The County will develop and implement a cost settlement policy that will include quarterly settlement audits during the fiscal year. In addition, as recommended, final agreements with providers will be settled no later than 90 days after fiscal year-end. This policy will be effective in Fiscal Year 2005/2006.

Finding 03-04

Journal Entries

Condition:

On many manual journal entries tested, it was noted that there was no indication that the entry was prepared, reviewed, approved, and entered by separate individuals with appropriate segregation of duties.

Criteria:

All manual journal entries should be reviewed and approved by a person separate from the preparer.

Effect:

Failure to conduct appropriate review of manual journal entries could result in inappropriate journal entries being posted to the general ledger in error.

Cause:

There is a lack of an effective policy and procedure to ensure that all journal entries have been approved prior to posting.

Recommendation:

The County should develop a policy regarding the preparation, reviewing, and posting of journal entries. The policy should include appropriate segregation of duties.

Questioned Costs: None

*View of
Responsible
Officials:*

The principal constraint on achieving a proper segregation of functions was the number of personnel assigned to M&B since January 2003. The restructuring of the Department is contingent to some degree on assigning additional staff to the Accounting Division and on adjusting position descriptions so that they more accurately reflect current and future needs. In addition, M&B will (1) review, and revise where necessary, its monthly close policy and procedure statement to emphasize corrective procedures and (2) amend position duties and responsibilities to focus on the documentation of review procedures as evidence to ascertain that the procedures are effective. Appropriate staff will be trained as appropriate.

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended September 30, 2003

Section III – Findings and Questioned Costs Relating to Federal Awards:

Finding 03-05

Community Development Block Grant – CFDA #14.218

Allowable Costs/Cost Principles

Requirement: The County is required to follow Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. These principles require that salary and wages be supported by period certification for employees that work solely on the federal program for the period covered by the certification. These certifications should be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Finding: There is currently no payroll certification process for employees that work solely on the federal program. Total payroll costs for the program were \$324,495; the client was unable to determine the amount of payroll costs that were attributable for the employees that work solely on the federal program.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: The County will issue a time reporting policy by May 31, 2006 that will specifically address the issue of OMB Circular A-87 certification compliance. Internal controls were and are presently in place to support, approve, and report payroll.

Finding 03-06

Community Development Block Grant – CFDA #14.218

Davis-Bacon Act

Requirement: The Davis-Bacon Act requires that all laborers and mechanics employed by contractors or subcontractors that work on construction contracts in excess of \$2,000 that are financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor.

Finding: For 1 out of 15 items selected for testing, the wage paid was below the prevailing wage rate.

Questioned Costs: None

Systemic or Isolated: Isolated

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

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Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: The County will implement procedures to comply with the provisions of the Davis-Bacon Act, including prevailing wage rate clauses in all future federally funded contracts and monitoring contractor and subcontractor payrolls for compliance with prevailing wage rate requirements. The Community Development Division of the Department of Economic and Neighborhood Development (DEND) requires on-site interviews for projects that are governed by the Davis-Bacon Act. The Labor Compliance Officer conducts the interviews. Beginning October 1, 2006, the Director of the Community Development Division or designee will review each payroll to ensure that pay rates are correct.

Finding 03-07

Community Development Block Grant - CFDA #14.218

Subrecipient Monitoring

Requirement: OMB Circular A-133 and the A-102 Common Rule require that the County monitor its subrecipients to ensure that the subrecipients administer federal awards in accordance with applicable requirements.

Finding: The County did not obtain a 2002/2003 Single Audit report for 17 out of the 20 subrecipients selected for testing. In addition, for 1 out of 20 subrecipients selected for testing, the County had received a subrecipient Single Audit report with findings and did not obtain a corrective action plan.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: The County recognizes the need to sufficiently monitor its subrecipients and has implemented a centralized process to obtain and review A-133 reports from all subrecipients. This process includes follow-up on report findings, including obtaining a corrective action plan prepared by the subrecipient.

During Fiscal Year 2005, the division began updating its database for any new subrecipient contracts awarded during the year. Since the Division Director must review and approve these contracts, a control exists to ensure all subrecipients are included in the database.

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Finding 03-08

Community Development Block Grant – CFDA #14.218

Subrecipient Monitoring

Requirement: OMB Circular A-133 and the A-102 Common Rule require that the County monitor its subrecipients to ensure that the subrecipients administer federal awards in accordance with applicable requirements.

Finding: Out of 20 on-site monitoring logs selected for testing, 15 could not be located by the County.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: In May 2005, the Community Development Division of the Department of Economic and Neighborhood Development (DEND) began conducting on-site monitoring of one CDBG grantee per month; this process will ensure that each grantee receives an on-site monitoring visit at least once every three years. The monitoring process includes maintaining a monitoring log, conducting the monitoring visits, and providing follow-up evaluation letters. The monitoring log is updated monthly and located with the other general CDBG administration files.

Finding 03-09

Community Development Block Grant – CFDA #14.218

Program Income

Requirement: Circular A-133 requires the grantor or the pass-through entity to determine or assess program income, record program income, and verify that it is used properly. The County established a policy that requires subrecipients to report program income on a quarterly basis as required by the grant agreement.

Finding: For 9 of the 13 communities selected for testing, one of the quarterly reports was not submitted to the County. Also, 5 of the 13 annual comprehensive performance reports were not submitted to the County.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

CHARTER COUNTY OF WAYNE, MICHIGAN

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View of Responsible Officials: Not all grantees have program income, and thus are not required to submit quarterly reports. During the period for which this finding occurred, the DEND was understaffed. With the recent restoration of staff capacity, the Community Development Division will conduct follow-up contacts with the grantees that do not submit quarterly reports to verify program income status.

Finding 03-10

Community Development Block Grant – CFDA #14.218

Program Income

Requirement: Circular A-133 requires the grantor or the pass-through entity to determine or assess program income, record program income, and verify that it is used properly.

Finding: The County was unable to provide a reconciliation of the quarterly or annual community performance reports to the program income reported on the general ledger.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: The program income received by the grantees is not remitted to the County but become additional funds that are subsequently spent in the program. At the end of the year the program income is reconciled between the U.S. Department of Housing and Urban Development, Integrated Disbursements and Information System, and the annual reports submitted by the grantees. Beginning October 2006, the program income and the corresponding expense will be recorded in the County's accounting records.

Finding 03-11

Community Development Block Grant – CFDA #14.218

Procurement

Requirement: The County must follow procurement procedures that conform to federal laws and regulations and standards identified in the A-102 Common Rule.

Finding: One contract amount did not agree to the application or project amount at the time of fieldwork, but was subsequently corrected in another contract after fieldwork was performed.

Questioned Costs: None

Systemic or Isolated: Isolated

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

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Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: For the program year 2002, the grant application amount was greater than the grant award. It was later determined that the local community was not able to administer all of the activities associated with the grant. The subsequent contract was amended to reflect the correct amount. Future applications and contract awards will be reviewed for consistency, and any amendments, where necessary, will be made in the same contract year.

Finding 03-12

Home Investment Partnership Program – CFDA #14.239

Activities Allowed/Unallowed and Allowable Costs/Cost Principles

Requirement: According to the OMB A-133 compliance supplement and OMB Cost Circular A-87, the County is required to retain sufficient supporting documentation to substantiate the costs submitted for reimbursement.

Finding: Four of the 25 payment packages selected for testing did not have the appropriate supporting documentation and did not have the proper approvals by management.

Questioned Costs: \$79,320

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: For the period audited, the DEND did not have adequate staff. In Fiscal Year 04-05, two project staff members were added—a Home Program Manager and a Project Development Coordinator. With additional staff, the division can focus on designing organizational and monitoring procedures, such as the completion of a checklist, to ensure that all files contain the proper supporting forms and working papers and have documentary evidence of review and approval by management.

Finding 03-13

Home Investment Partnership Program – CFDA #14.239

Allowable Costs/Cost Principles

Requirement: The County is required to follow Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. These principles require that salary and wages be supported by period certification for employees that work solely on the federal program for the period covered by the certification. These certifications should be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

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Finding: There is currently no payroll certification process for employees that work solely on the federal program. Total payroll costs for the program were \$206,178; the client was unable to determine the amount of payroll costs that were attributable for the employees that work solely on the federal program.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: The County will issue a time reporting policy by May 31, 2006 that will specifically address the issue of OMB Circular A-87 certification compliance. Internal controls were and are presently in place to support, approve, and report payroll.

Finding 03-14

Home Investment Partnership Program – CFDA #14.239

Cash Management

Requirement: OMB Circular A-133 and the A-103 Common Rule require that the County pay costs before they are submitted for reimbursement. This program is funded on a reimbursement basis; therefore, program costs must be paid for by the County before reimbursement is requested from the federal government. When funds are advanced to subrecipients, such recipients must follow procedures to minimize the time elapsed between the transfer of funds from the County and disbursement.

Finding: Four of the 25 invoices selected for testing did not have the proper support required and did not have the proper approvals by management.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: For the period audited, the DEND did not have adequate staff. In Fiscal Year 04-05, two project staff members were added—a Home Program Manager and a Project Development Coordinator. With additional staff, the division can focus on designing organizational and monitoring procedures, such as the completion of a checklist, to ensure that all files contain the proper supporting forms and working papers and have documentary evidence of review and approval by management.

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Finding 03-15

Home Investment Partnership Program – CFDA #14.239

Procurement/Suspension and Debarment

Requirement: The County must follow procurement procedures that conform to federal laws and regulations and standards identified in the A-102 Common Rule.

Finding: One professional service contract selected was not properly approved and did not contain suspension and debarment certifications or a conflict-of-interest statement.

Questioned Costs: None

Systemic or Isolated: Isolated

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: Policy #10011, "Required Review/Approvals/Routing for Contracts," and Policy #10012, "Delegated Signature Authority," set forth the requirements for the processing protocols for the electronic Procurement Contract Compliance Certificate (PC-3) and the related contracts, modifications, and amendments, up to and including the signature of the County Executive. The PC-3 Contracts Administration Unit maintains a checklist of all required items before finalizing the contract process. The Grants and Contracts Management Division maintains the control copy of all executed grants and contracts.

For all contracts effective October 1, 2006 or later, the required certification from contractors and subcontractors stating that they are not suspended or debarred from participating in federally funded programs will be obtained. After being notified of this finding, the DEND obtained letters from the contractors stating that all contractors and subcontractors were not suspended or debarred. During Fiscal Year 2005/2006, Corporation Counsel will finalize its standard suspension and debarment language, and such language will be included in all future County contracts.

Finding 03-16

Home Investment Partnership Program – CFDA #14.239

Subrecipient Monitoring

Requirement: OMB Circular A-133 and the A-102 Common Rule require that the County design and implement controls to monitor its subrecipients to ensure that the subrecipients administer federal awards in accordance with applicable requirements.

Finding: Neither of the two project compliance reports selected for testing were properly approved. Also, one out of the two project files was missing the lease agreement and proof of income that are required to verify property standards of the subrecipient.

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Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements

View of Responsible Officials: For the period audited, the DEND did not have adequate staff. In Fiscal Year 04-05, two project staff members were added—a Home Program Manager and a Project Development Coordinator. With additional staff, the division can focus on designing organizational and monitoring procedures, such as the completion of a checklist, to ensure that all files contain the proper supporting forms and working papers and have documentary evidence of review and approval by management.

Finding 03-17

Home Investment Partnership Program – CFDA #14.239

Subrecipient Monitoring

Requirement: OMB Circular A-133 and the A-102 Common Rule require that the County monitor its subrecipients to ensure that the subrecipients administer federal awards in accordance with applicable requirements.

Finding: The County does not have a process in place to ensure that subrecipients obtain an A-133 audit.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: Refer to finding 03-07 for the corrective action plan pertaining to the submission of audit reports.

Finding 03-18

Rouge National Wet Weather Demonstration Project – CFDA #66.606

Allowable Cost/Cost Principles

Requirement: The County is required to follow Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. These principles require that salary and wages be supported by period certification for employees that work solely on the federal program for the period covered by the certification. These certifications should be

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prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Finding: There is currently no payroll certification process for employees that work solely on the federal program. Total payroll costs for the program were \$931,614, the client was unable to determine the amount of payroll costs that were attributable for the employees that work solely on the federal program.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: The County will issue a time reporting policy by May 31, 2006 that will specifically address the issue of OMB Circular A-87 certification compliance. Internal controls were and are presently in place to support, approve, and report payroll.

Finding 03-19

Rouge National Wet Weather Demonstration Project – CFDA #66.606

Subrecipient Monitoring

Requirement: OMB Circular A-133 and the A-102 Common Rule require that the County monitor its subrecipients to ensure that the subrecipients administer federal awards in accordance with applicable requirements. Subrecipients are expected to submit copies of their financial audit reports and, if applicable, A-133 report to the County's Grants Management Department.

Finding: There were 11 of 25 subrecipient audit reports that were not obtained by client.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: Refer to Finding 03-07 for the corrective action plan pertaining to the submission of audit reports.

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Finding 03-20

Medicaid Cluster – CFDA #93.778

Activities Allowed/Unallowed

Requirement: The A-102 Common rule requires non-federal entities receiving federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures related to the substantiation of costs that conform to the Common Rule.

Finding: Three out of the 12 items selected for testing were missing necessary authorizations and supporting financial documents that are required as part of their verification process.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: All required supporting documentation is now being provided to the funding source. The providers complete the Carve-out Financial Status Report (Form 384) and attach the required supporting documentation. Mental Health – Finance reviews the information for completeness. Mental Health – Finance forwards the billing to the State of Michigan, together with the supporting documentation, which includes a list of the consumers that were provided services under the program.

Finding 03-21

Medicaid Cluster – CFDA #93.778

Procurement/Suspension and Debarment

Requirement: As part of the County's procurement ordinance, the County established an internal control to have all service provider contracts reviewed and approved by management.

Finding: Proper approval was not obtained for either of the two service provider contracts selected for testing.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

CHARTER COUNTY OF WAYNE, MICHIGAN

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View of Responsible Officials: Refer to the first paragraph of Finding 03-15 for the corrective action plan pertaining to contracts not signed by the County Executive.

Mental Health Finance has also added procedures to ensure that their on-site contract files are complete. These procedures include the completion of an inventory of all contract files (Fiscal Year 2003/2004 to present) to determine the existence of the County Executive's signature page and following up with the M&B – Contract Administration Unit to obtain copies. Prospectively, Mental Health Finance is providing the M&B – Contract Administration Unit with a list of approved contracts so that the M&B – Contract Administration Unit can provide the appropriate signatory paperwork as contracts are finalized in the PC-3 system.

Finding 03-22

Medicaid Cluster – CFDA #93.778

Subrecipient Monitoring

Requirement: OMB Circular A-133 and the A-102 Common Rule require that the County monitor its subrecipients to ensure that the subrecipients administer federal awards in accordance with applicable requirements.

Finding: Neither of the 2 subrecipients selected for testing had the required compliance audit performed.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: Refer to Finding 03-07 for the corrective action plan pertaining to the submission of audit reports.

Over the next fiscal year, M&B will be transferring the internal audit function from Mental Health – Finance to the Division of Grants and Contracts Management. An integrated strategic plan can then be developed to address the specific grant compliance and monitoring issues for the Mental Health grants, as well as for all County grants.

Finding 03-23

Community Mental Health Block Grant Program – CFDA #93.958

Activities Allowed/Unallowed

Requirement: The A-102 Common rule requires non-federal entities receiving federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program

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compliance requirements. Effective internal controls should include procedures related to the substantiation of costs that conform to the Common Rule.

Finding: Out of 25 items selected for testing, there were 11 instances where the necessary authorizations were missing and 3 instances where the supporting financial documents could not be located as part of their verification process.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: Effective October 1, 2006, the financial analyst assigned to each provider will be responsible for gathering the documentation and preparing the voucher for that provider. The financial analyst will review the expenditures for reasonableness and to ascertain that those amounts are within the budgeted allocation. The Finance Manager will examine the packages for completeness and will authorize payment. The package will be forwarded to the Mental Health Agency Director or Deputy Director for review and approval. A service provider audit is performed annually to confirm that all costs incurred were spent for allowable activities.

Finding 03-24

Community Mental Health Block Grant Program – CFDA #93.958

Procurement

Requirement: The County must follow procurement procedures that conform to federal laws and regulations and standards identified in the A-102 Common Rule.

Finding: Five of the five provider contracts selected for testing did not contain the necessary approvals.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: Refer to paragraph one of Finding 03-15 for the corrective action plan pertaining to the contracts not signed by the County Executive.

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Finding 03-25

Community Mental Health Block Grant Program – CFDA #93.958

Reporting

Requirement: The County's contract with the State of Michigan requires that it submit quarterly financial status reports and monthly narrative progress reports. The A-102 Common Rule requires that these reports include all activity of the reporting period, be supported by applicable accounting or performance records, and be fairly presented in accordance with program requirements.

Finding: Eleven of the 60 narrative performance reports selected for testing were not properly approved.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: Effective October 1, 2006, management staff will review periodic reports as required. On a quarterly basis, the contract manager will submit the required reports with the proper documentation. The contract manager will also conduct annual site reviews. The providers will submit quarterly program narrative reports, staff reports, and equipment reports. These reports will be reviewed and approved by the contract manager prior to submission to the Michigan Department of Community Mental Health. Any reports that are incomplete will be returned to the providers for revision and resubmission.

Finding 03-26

Community Mental Health Block Grant Program – CFDA #93.958

Reporting

Requirement: The County's contract with the State of Michigan requires that it submit quarterly financial status reports and monthly narrative progress reports. The A-102 Common Rule requires that these reports include all activity of the reporting period, be supported by applicable accounting or performance records, and be fairly presented in accordance with program requirements.

Finding: For two of the four financial status reports selected for testing, the supporting documentation was not complete.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

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Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: Effective 10/1/03, the Agency modified the contract to include a reduction in funding when a provider is not in compliance with the program financial reporting requirements. Also, this modification included a clause whereby the Agency has a right to monitor and audit the program quality. The financial manager will ensure that all reports are completed timely and within budget limits. This will include, but not be limited to, making sure that proper supporting documentation is included with the financial status reports. The Agency's contract manager is responsible for assuring appropriate use of grants funds, while the finance staff has been responsible for line-item review of reported expenditures.

Finding 03-27

Community Mental Health Block Grant Program – CFDA #93.958

Subrecipient Monitoring

Requirement: OMB Circular A-133 and the A-102 Common Rule require that the County monitor its subrecipients to ensure that the subrecipients administer federal awards in accordance with applicable requirements.

Finding: For two out of five subrecipients selected for testing, the County did not obtain corrective action plans or follow up on the findings in the recipients' A-133 reports. In addition, a desk review was not performed on the A-133 report for the other three subrecipients.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: Refer to Finding 03-22 above for views.

Finding 03-28

Community Mental Health Block Grant Program – CFDA #93.958

Subrecipient Monitoring

Requirement: OMB Circular A-133 and the A-102 Common Rule require that the County monitor its subrecipients to ensure that the subrecipients administer federal awards in accordance with applicable requirements.

Finding: Five out of the five subrecipients selected for testing did not have the required compliance audit performed.

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Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: Refer to Finding 03-22 above for views.

Finding 03-29

Highway Planning and Construction Program – CFDA #20.205

Matching

Requirement: Matching or cost sharing includes requirements to provide contributions (usually non-federal) of a specified amount or percentage to match federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).

Each contract details the matching requirements with which the County is expected to comply. Reports submitted for reimbursement are carefully reviewed for compliance with matching requirement.

Finding: For 1 out of the 19 invoices selected, the matching contributions and amounts claimed were incorrect.

Questioned Costs: None

Systemic or Isolated: Isolated

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: This finding is an isolated instance. An accountant in the Central Accounts Receivable unit prepares the request for reimbursement. The supervisor reviews the reimbursement package for the accuracy of the calculation of the match contribution.

Finding 03-30

Byrne Formula Grant – CFDA #16.579

Activities Allowed/Allowable Costs and Cost Principles

Requirement: The County is required to follow Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. These principles require that salary and wages be supported by period certification for employees that work solely on the federal program for the period covered by the certification. These certifications should be

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prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Finding: There is currently no payroll certification process for employees that work solely on the federal program. Total payroll costs for the program were \$1,559,530; the client was unable to determine the amount of payroll costs that were attributable for the employees that work solely on the federal program.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should implement a countywide certification and/or time allocation process in order to have adequate support over payroll costs.

View of Responsible Officials: The County will issue a time reporting policy by May 31, 2006 that will specifically address the issue of OMB Circular A-87 certification compliance. Internal controls were and are presently in place to support, approve, and report payroll.

Finding 03-31

Byrne Formula Grant – CFDA #16.579

Activities Allowed/Allowable Costs and Cost Principles

Requirement: The County must follow procedures related to substantiation of costs that conform to federal laws and regulations and standards identified in the A-102 Common Rule.

Finding: One of 56 items selected for testing was not properly approved.

Questioned Costs: None

Systemic or Isolated: Isolated

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of the policies and procedures in place to prevent, detect, and correct any potential errors.

View of Responsible Officials: The policy of the Prosecutor's Office is that the Department Manager in Administration or the Chief of Finance and Administration must approve all items.

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Finding 03-32

Byrne Formula Grant – CFDA #16.579

Cash Management

Requirement: OMB Circular A-133 and the A-102 Common Rule require that the County pay costs before they are submitted for reimbursement.

Finding: Two of 56 invoices selected for testing were paid eight months after reimbursement was requested and received.

Questioned Costs: None

Systemic or Isolated: Isolated

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: Since Fiscal Year 2002/2003, the Prosecutor's Office has a new administration and new staffing. New policies and procedures have been initiated that require better compliance with grant requirements.

Finding 03-33

Byrne Formula Grant – CFDA #16.579

Reporting

Requirement: The County's contract with the State of Michigan requires that it submit quarterly financial status reports. The A-102 Common Rule requires that these reports include all activity of the reporting period, be supported by applicable accounting or performance records, and be fairly presented in accordance with program requirements.

Finding: The total of the quarterly financial status reports does not agree to the schedule of federal awards and expenditures. In addition, the difference does not have adequate support.

Questioned Costs: None

Systemic or Isolated: Isolated

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended September 30, 2003

View of Responsible Officials: Since Fiscal Year 2002/2003, the Prosecutor's Office has a new administration and new staffing. New policies and procedures have been initiated that require better compliance with grant requirements, such as the requirement to maintain a greater level of support in all grant files. This detail substantiates the submitted reports.

Finding 03-34

VFC Vaccines – CFDA #93.268

Eligibility

Requirement: The program is required to retain documentation to verify that an individual, participant, or group is eligible to receive the goods or service provided.

Finding: Supporting documentation for 2 of the 30 items selected for testing could not be located for testing at the time of fieldwork, but was subsequently provided without exception.

Questioned Costs: None

Systemic or Isolated: Isolated

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: Copies of the two missing files were obtained and provided to the auditors. We do not feel that this finding still exists.

Finding 03-35

VFC Vaccines – CFDA #93.268

Special Tests and Provisions – Record of Immunization

Requirement: According with the grant agreement and OMB-133 a record of vaccine administered shall be made in each person's permanent medical record.

Finding: Supporting documentation for 2 of the 30 items selected for testing could not be located for testing at the time of fieldwork, but was subsequently provided without exception.

Questioned Costs: None

Systemic or Isolated: Isolated

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended September 30, 2003

View of Responsible Officials: This finding was initially reported to us last year. Copies of the two missing files were obtained and provided to the auditors. We do not feel that this finding still exists.

Finding 03-36

Title IV-D – CFDA #93.563

Allowable Cost/Cost Principles

Requirement: The County is required to follow Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. These principles require that salary and wages be supported by period certification for employees that work solely on the federal program for the period covered by the certification. These certifications should be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Finding: There is currently no payroll certification process for employees that work solely on the federal program. Total payroll costs for the program were \$10,239,189; the client was unable to determine the amount of payroll costs that were attributable for the employees that work solely on the federal program.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: The County will issue a time reporting policy by May 31, 2006 that will specifically address the issue of OMB Circular A-87 certification compliance. Internal controls were and are presently in place to support, approve, and report payroll.

Finding 03-37

Title IV-D – CFDA #93.563

Allowable Cost/Cost Principles

Requirement: Circular A-87 requires that indirect costs should only be charged in accordance with an indirect cost plan approved by the County's cognizant agency. The grant agreement requires that line-item budget adjustments are submitted for approval to the State within 90 days of the end of the grant period.

Finding: The program did not use an approved cost allocation plan by the County's federal cognizant agency (the Department of Health and Human Services). Additionally, the budget transfer requests that were approved by the State for these indirect costs were submitted after the required 90-day period.

Questioned Costs: Out of \$3,196,829 of indirect costs, \$1,729,828 was derived from an indirect cost plan that was not approved by the County's cognizant agency.

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended September 30, 2003

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

View of Responsible Officials: During Fiscal Year 2003, the program identified areas of cost, which were not being reimbursement due to the lack of an indirect cost plan for the Court Administrative Costs. The Title IV-D program and the County federal cognizant agency (the Department of Health and Human Services [DHHS]) agreed on October 1, 2004 to develop an indirect cost plan for identifying indirect Court Administration costs that had not been billed to the Fiscal Year (FY) 2003 Wayne County Title IV-D Cooperative Reimbursement Contract. It was further agreed between the program and DHHS that the cost plan was to be applied for using actual costs for FY 2003. The cost plan was submitted to DHHS on December 20, 2004, at which time program staff identified the need for a line-item transfer. However, on January 25, 2005, DHHS staff instructed the program staff to wait until the billings were approved. After final review by DHHS, the cost plan and line-item transfer for FY 2003 were approved on June 24, 2005. The program was given a one-time change in policy to accommodate development and implementation of an indirect cost plan for FY 2003. It should also be noted that this grant agreement allows for revisions to a reimbursement claim up to eight (8) quarters subsequent to the billing period.

Finding 03-38

Title IV-D – CFDA #93.563

Reporting

Requirement: The A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include a process in order to produce complete and accurate reports, including drawdown requests, to the cognizant agency.

Finding: The program does not have an adequate process in place to produce complete and accurate reports to the cognizant agency, as there were multiple revisions made to the drawdown requests.

Questioned Costs: None

Systemic or Isolated: Systemic

Effect of Finding: The County could potentially lose federal funding due to noncompliance.

Recommendation: The County should maintain a heightened awareness of grant requirements and ensure that there are adequate procedures in place to follow those requirements.

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended September 30, 2003

View of Responsible Officials: The program generally prepares monthly billings throughout the year, with revisions being made at year-end to ensure reimbursement for any prior-period adjustment to the general ledger, as well as clerical errors. However, during FY 2004, additional revisions were made to the reimbursement claims to facilitate the newly developed indirect cost allocation plan for Court Administrative Costs. There was a revision made to the reimbursement claims specifically for purposes of implementation of the indirect cost plan dated December 20, 2004. This revision resulted in a request to DHHS for reimbursement of an additional \$933,647 of indirect cost, which was not previously billed to the FY 2003 CRP Contract. This revision was processed in agreement with DHHS, as well as being submitted within the allowable time frame for reimbursement claim revisions of eight (8) quarters subsequent to the billing period.